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MarketView
Baltimore Industrial

FIRST QUARTER 2008

"Tenant activity in the first quarter remained steady despite the uncertain financial conditions within the market and the overall economy. Tenants remain somewhat hesitant to fully commit to spaces, but all signs point to a more active second half of 2008 in terms of net absorption."

– Adam Weidner, Senior Associate

QUICK STATS

	Current	Change from last* Yr.	Change from last* Qtr.
Direct Vacancy	8.54%	↑	↑
Overall Lease Rate	$5.95 NNN	↑	↑
Net Absorption (YTD)	642,980 SF	↑	↑
Construction	1,696,490 SF	↓	↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- Maryland's economy continues to thrive in 2008 from exporting goods like defense systems and manufactured chemicals. There was an 18% increase in exports in 2007, nearly triple the quantity in 2006.
- Maryland's job base has grown by 30,700 jobs since February 2007.
- Potential big box tenants are in a holding pattern, waiting to discern the impact of the lending markets on the economy.

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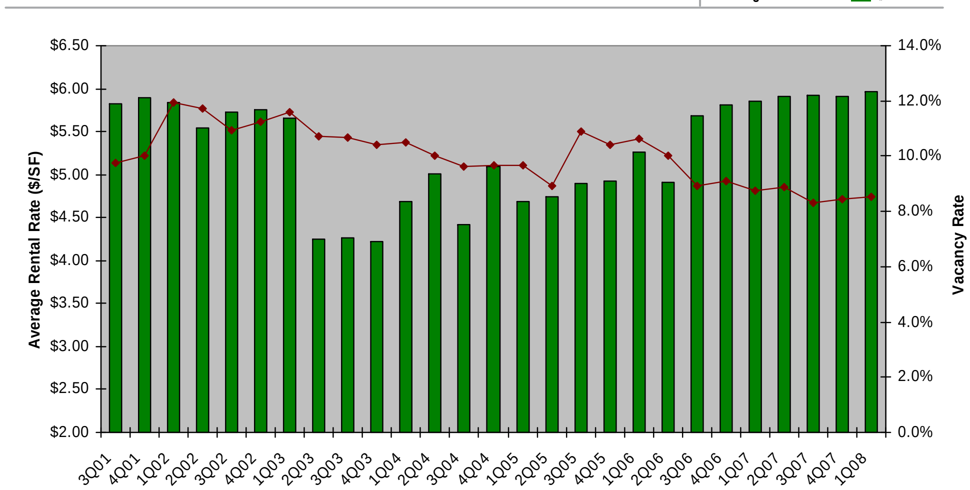
In the face of an economic downturn, leasing of industrial space was healthy in Baltimore this quarter, displaying promise for the short-term local outlook. Industrial leasing activity was most significant in submarkets along the main arterial roadway of Interstate 95. The local industrial sector has shown resilience thus far in the national economic slump because of the proximity to intermodal facilities, the federal government and limited opportunities for build-to-suit product.

Baltimore's industrial market has become a thriving warehousing and distribution core due to an efficient intermodal transportation system. The region is accessed through The Port of Baltimore, BWI Airport, Interstates 95 and 70, and a distinctive mix of line haul and short line railroads via CSX, Norfolk Southern Railway and local rail like the Canton Railroad Company. Located 180 miles inland, the Port of Baltimore is appealing for companies allowing shorter trucking distances when the increasing price of fuel is driving up shipping costs. These various forms of logistical access make Baltimore a targeted area for bulk distribution and warehousing. An indicator of this is that more than 450,000 square feet of net absorption was recorded in the market for bulk warehouse buildings with a 20 foot clear ceiling height or greater.

Despite recording over 600,000 square feet of absorption in the first quarter, the industrial vacancy rate increased eight basis points resulting from speculative construction that delivered this quarter. Over one million square feet of industrial product delivered with only 14% pre-leased. This is an indication that developers see excellent value and low risk in constructing industrial assets in the Baltimore market. Over 980,000 square feet of these deliveries were buildings with ceiling heights ranging from 26 feet to 35 feet, excellent loading and column spacing and in superior locations, signifying the quality that corporate tenants demand in functional space.

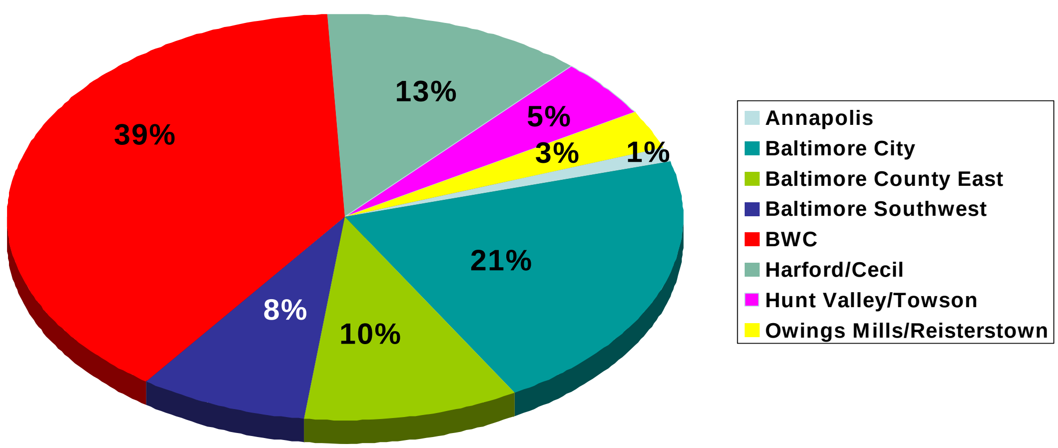
Larger tenants looking at Baltimore as a potential warehousing or distribution location are enticed by state-based tax incentives. New industrial deliveries and projects in the pipeline in the city and north of the Harbor Tunnel on Interstate 95 are either in Enterprise Zones, One Maryland Zones, or areas eligible for job creation tax credits. The state, city and Baltimore County provide an excellent platform for enticements accentuated by a region fortified by high quality buildings with excellent distribution and logistical access.

VACANCY RATE VS. AVERAGE RENTAL RATE



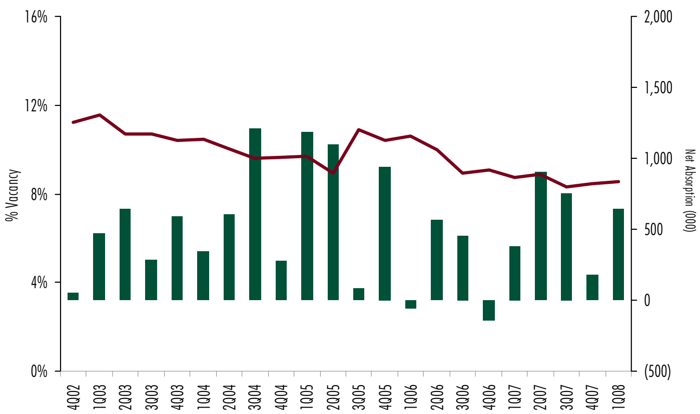
Submarket	Inventory	Direct Vacancy Rate	Net Absorption YTD	Total Under Construction	Asking Rates *Warehouse*	Asking Rates *Flex*
Annapolis	1,871,509	2.01%	14,481	-	$6.00	$15.53
Baltimore City	32,428,418	6.29%	(121,425)	508,100	$4.58	$6.35
Baltimore County East	15,711,817	12.38%	177,950	68,930	$4.98	$11.93
Baltimore Southwest	12,523,915	11.09%	299,736	228,154	$4.32	$9.95
Balt/Wash Corridor	60,537,098	7.59%	215,862	241,306	$5.48	$11.98
Harford/Cecil County	19,316,438	12.09%	27,600	650,000	$4.33	$8.45
Hunt Valley/Towson	7,330,075	9.13%	2,646	-	$6.40	$9.75
Owings Mills/Reist. Rd	4,769,382	3.79%	26,130	-	$7.55	$10.85
Totals	154,488,652	8.54%	642,980	1,696,490	$5.46	$10.60

INVENTORY DISTRIBUTION BY SUBMARKET



VACANCY/NET ABSORPTION

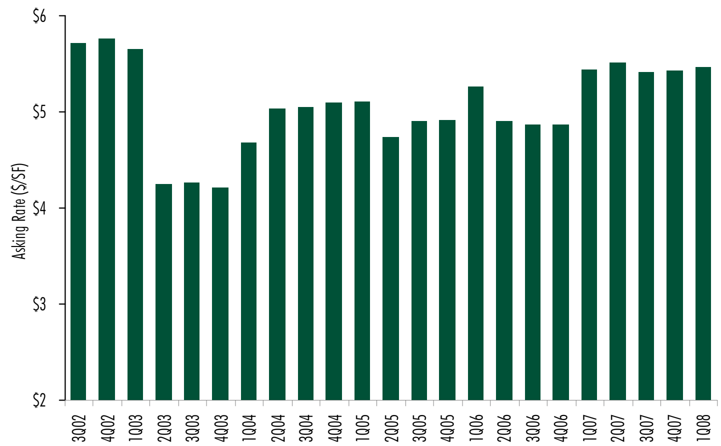
Vacancy 8.54%
Absorption 642,980 SF



At the end of the first quarter of 2008, the Baltimore industrial market absorbed 642,980 square feet of space. The warehouse sector experienced a healthy quarter absorbing 453,320 square feet. The Baltimore Southwest submarket warehouse sector absorbed 216,204 square feet in the first quarter, while Baltimore County East followed with 163,317 square feet of positive absorption. Despite significant overall net absorption for the quarter, vacancy rates rose due to the delivery of over one million speculative square feet to the market. The deliveries were only 14% pre-leased.

AVERAGE ASKING LEASE RATES*

Average Asking Lease Rate $5.46 NNN

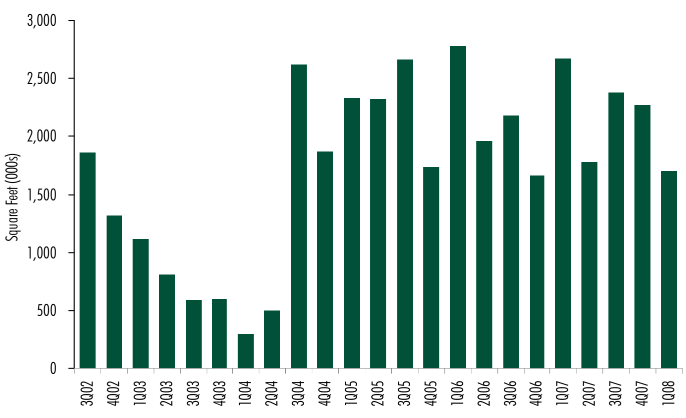


*Warehouse Lease Rates only

The average asking rate for warehouse space in the first quarter of 2008 was $5.46, virtually unchanged from $5.43 per square foot in the fourth quarter. Despite the effects of a softening economy, rents for Baltimore industrial space continued to rise because of the increase in Class A inventory. Many antiquated buildings have been renovated in recent years to elevate the quality that local companies demand. Scarcity of land and the cost of ground-up development can make redevelopment a less capital intensive opportunity for developers and owners interested in owning Class A product.

CONSTRUCTION ACTIVITY

Square Feet U/C 1,696,490 SF



Seven buildings totaling 1.03 million square feet delivered 14% preleased in the Baltimore Metropolitan Area during the first quarter. There are currently 10 industrial buildings under construction in the region, totaling approximately 1.7 million square feet. Each building in the Baltimore area is being constructed on a speculative basis, so the health of the region's industrial real estate market is contingent upon the ability to absorb the new product delivered to the market.

MARKET OUTLOOK

The Baltimore industrial sector is primarily supported by its ability to supply big box warehouses to tenants along the Interstate 95 Corridor and near the Port of Baltimore. In addition to an already healthy distribution and high-tech market, both flex and warehouse product will see the effects of the Defense Department's Base Realignment and Closure. The flex/high-tech space will likely be absorbed by contractors supporting the Department of Defense. Warehouse product is expected to be absorbed by the demand for construction materials, retail product and other supplies needed for the influx of new employees and families moving into the region.

TOP 1Q 2008 BALTIMORE LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address	Submarket
183,000	Frank Parsons Paper Company	1300 Mercedes Drive	BWC
164,216	Danaher Tool	7200 Standard Drive	BWC
78,070	Crate & Barrel	7190 Parkway Drive	BWC
75,000	Baltimore Steel & Storage	4501 Curtis Avenue	Baltimore County East

BALTIMORE SUBMARKET MAP

AVAILABLE SQUARE FEET
Includes advertised listings in existing buildings regardless of possession date. It includes building area that is either physically vacant or occupied.

AVAILABILITY RATE
Available square feet divided by the net rentable area.

AVERAGE ASKING LEASE RATE
Rate determined by multiplying the asking lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

FULL SERVICE
Rent is inclusive of operating expenses and rates.

MARKET COVERAGE
Includes all existing competitive industrial buildings greater than 10,000 square feet for flex and 20,000 square feet for warehouse.

NET ABSORPTION
The change in occupied square feet from one period to the next.

NET LEASES
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

OCCUPIED SQUARE FEET
Building area not considered vacant.

UNDER CONSTRUCTION
Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANT SQUARE FEET
Immediately available or physically vacant space in existing buildings. The vacancy rate excludes sublease space.

VACANCY RATE
Vacant building feet divided by the net rentable area.

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